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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of	)			
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	)			CC Docket No. 97-21, 96-45
	)			
USAC Plan of Reorganization	)			DA 98-1336
	)			

**Comments of Greg Weisiger**

Greg Weisiger, private citizen, submits these comments in response to the Federal Communications Commission request for comment on certain issues related to the Commissions Proposed Plan of Reorganization for the Federal Universal Service program.

Introduction

In response to legislation enacted by the United States Congress on May 1, 1998, the Federal Communications Commission (FCC) submitted a plan to combine the duties and responsibilities of the three companies currently administering the Universal Service program. Legislation mandated that the three companies, the Universal Service Administrative Company (USAC), the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) shall be merged into one company by January 1, 1999. On July 1, 1998, the three companies submitted plans for reorganization to the FCC. The FCC seeks comments on specific issues regarding those plans.

Questions for Comment

**1. Would consolidation of the three corporations foster efficient administration and sufficient accountability?**

It may be presumed that the combined company would be able to take advantage of efficiencies of scale and elimination of duplicative services. Consolidation will close the lines of communication between the three entities and could bring about consistency of policy, currently lacking between the SLC and RHCC. FCC regulations adopted on May 8, 1996, and subsequent reconsiderations profess the FCC's desire for cooperation between entities eligible to receive discounts by forming consortia in order to take advantage of leveraged buying power and more efficient use of services. The reality of the two independent companies however has had exactly the opposite effect. SLC clients have one set of forms and policy while RHCC clients have completely different applications and policy. This problem has been exacerbated during this initial funding cycle by the two companies opening filing windows at different times, making cooperation between schools and libraries and rural health care providers virtually impossible. A combined corporation with an efficient communication structure, singular leadership and lower administrative cost may tend to encourage cooperation between eligible entities. I suggest policies of the new company encourage greater cooperation.

There is a larger problem which needs to be addressed by the consolidated company of inadequate contracted service providers, as the SLC has discovered.

While the SLC has only a handful of employees, many more are on the payroll

through administrative contracts - maintaining the SLC website, answering calls on the toll free lines and sifting through the 30,000 odd applications. During the start-up phase of a corporation responsible for administration of a program of this magnitude and short time horizon, some problems can be expected. I believe, however that the contractor hired by the SLC was totally unprepared for initial implementation of the program. The contractor failed to foresee obvious problems and failed to set up adequate systems to process applications. The contractor underestimated potential demand by schools and libraries, failed to adequately train staff responsible for execution of the program and failed to set up adequate computer software to efficiently process applications. This is evidenced by the inconsistent and often incorrect advice given applicants on the toll free hotline, the erroneous rejection of applications and other problems now coming to light. As of this writing at the end of July, eight months after many applicants are eligible for discounts, no school or library has received one discount dollar and no school or library has received a funding commitment letter. Over three months after the filing window for schools and libraries closed, all applications have not even been entered into the SLC database. It is apparent from the applicants perspective that the contractor has a very inefficient system in place for processing of SLC applications. I suggest the new consolidated corporation concentrate on contractor oversight and hold the contractor accountable to a higher degree of accuracy and efficiency.

**Accountability** In order to measure and evaluate accountability, verifiable expectations must be established. These expectations must go beyond requirements for

application windows of a certain length or implementation plans due by a certain date, but encompass all aspects of the program such as responding to questions with correct answers within a certain time period, accurately entering data within a given period and the like. Accountability is not a function of a consolidated corporation, rather it is a function of corporate attitude. Accountability is however measurable. The new corporation should have specific goals and be accountable to meet those goals.

**2. Would consolidation preserve the distinct missions of the three companies?**

The proposal as presented, with SLC and RHCC as standing committees of the parent company, the distinct missions could be preserved. I am somewhat concerned by the proposed makeup of the USAC Board of Directors. The proposed Board seems overly weighted toward telephone companies, with almost half the members representing telephone company interests. This may seem understandable considering USAC's (NECA) traditional mission of administration of the high cost low income, fund which deals exclusively with telephone companies and certificated telecommunications carriers. However, throughout the entire Universal Service process telephone companies have filed petitions and comments with the FCC asking that the FCC maintain a narrow definition of who is a "telecommunications carrier" for the purpose of discount funding. The Telecommunications Act requires that the FCC establish competitively neutral rules for receiving discounts on all covered services, yet the telephone companies argue, somewhat successfully, only certificated telecommunications carriers should receive discounts for all telecommunications services other than connections for internet access - and even

the internet aspect continues to be debated. I have petitioned the FCC to reconsider this regulation and will continue to urge the Commission to open the telecommunications field to all players under Section 706 as, I believe, was the intent of Congress in the 1996 Act.

I fear a plurality of telephone company representatives on the new USAC Board may be detrimental to furthering the notion of increased competition in the industry. I suggest greater representation on behalf of carriers and potential carriers such as wireless, public utility companies, cable, internet service providers, satellite carriers, etc. The current proposed Board is already large and more members could prove counter productive. I further suggest that new representatives from these other constituencies replace telephone company representation so that telephone company representation on the USAC board is no more than four. I also suggest that the Schools and Libraries committee be increased by one member and include another service provider representative not associated with telephone companies.

### **3. Should USAC be permanent administrator and be divested of NECA?**

In the Plan for Reorganization under the heading "Divesting USAC" the first statement is: "Divesting USAC from NECA will be easy to accomplish..." This statement alone sends up a red flag in my mind. Initially I was in favor of divesting USAC from NECA because of NECA's close ties with the telephone industry. After careful consideration, I have come to the conclusion that the Commission should NOT divest USAC from NECA for the foreseeable future.

As the Schools and Libraries Corporation has discovered with the problems

associated with their contractor, the start-up process can be exceedingly difficult. With divestiture of USAC it is assumed that key personnel from USAC will remain with the new company. This may be a mistaken assumption. On August 15 of last year NECA received permission from the FCC to begin work on the administrative process for implementing the FCC's May 8 Universal Service regulations. During the ensuing months of NECA attempting to implement the program, several key NECA people left the organization, including William Stern and Manny Green. Before divesting USAC from NECA, there should be some assurance that key personnel are supportive and will continue with the new company.

NECA has successfully administered high cost and low income support for years and there is no reason to believe it could not continue that work with SLC and RHCC. I assume that success has continued during the first year of USAC operation. Because no funding has been committed to school and library vendors, USAC remains untested in this area. Current estimates indicate that first funding to vendors will not begin flowing before late fall or early winter of this year. Initial payments will be complicated by the requirement to submit retroactive payments to vendors, or perhaps directly to schools and libraries as far back as January 1, 1998. If a significant number of key personnel refuse to join the new company during this critical time, the payment process may be as disorganized as the initial application process. I suggest USAC remain a subsidiary of NECA at least through January, 2000 to ensure a smooth transition on the funding side. I also suggest that the FCC closely monitor USAC and intervene quickly if problems arise in

processing vendor payments.

#### **4. How should the appeal process be handled?**

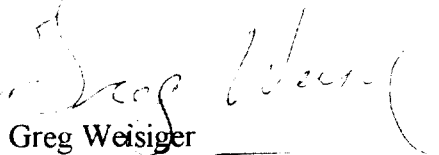
The FCC is seeking comment on two different types of appeals. First the Commission proposes that it allow 60 days to receive appeals on action taken by USAC. If no appeals are made within the 60 days or the Commission takes no action, the USAC rules would be considered effective. The Commission also asks if some state procurement regulations could offer solutions to the procurement of services. Before proposing any new rules, I would hope USAC would consult with the FCC. I suggest at least for 1999 and 2000 the FCC and USAC designate representatives to communicate on a daily basis for status updates and for USAC to seek guidance from the FCC on proposed rules. I also suggest USAC and the FCC conduct a "procurement summit" with representatives of several states to help USAC formulate new procurement rules more in line with state requirements. I further suggest the FCC reexamine its requirement to post service requests on the SLC website for 28 days. This requirement was very costly to the SLC and I suspect resulted in very few additional bids from outside vendors. I suggest the FCC poll schools and libraries to determine the actual worth of the 28 day posting requirement and weigh it against the cost of the requirement. I believe state and local procurement rules combined with local competition are sufficient to ensure cost effective service.

The FCC also seeks comment on appeals of decisions made by USAC staff. The FCC asks if appeals should be made directly to the committees, the USAC Board or the FCC. In the case of SLC, all appeals are handled by one person. Few applicants are aware

they may also appeal to the FCC. I ask the FCC to establish clear policy regarding appeals of FCC and USAC regulations and decisions. I ask that this policy be communicated to all applicants and be included on the application forms and rejection letters. The policy should explain the roles of the FCC, USAC and the Schools and Libraries Committee. I ask that this communication include appeal procedures and specific issues for which appeal is authorized.

I submit these comments for your consideration July 30, 1998.

Respectfully,



Greg Weisiger

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